
NEW QUEBEC RAGLAN
MINES LIMITED

ANNUAL REPORT – 1977

NEW QUEBEC RAGLAN MINES LIMITED

HEAD OFFICE

40th Floor, Commerce Court West.....Toronto

DIRECTORS

P.-E. Auger *.....Quebec

J.-H. Gagné *.....Quebec

L. C. Kilburn.....Toronto

G. P. Mitchell *.....Toronto

T. F. Pugsley.....Toronto

J. R. Smith.....Toronto

* Member of Audit Committee

OFFICERS

L. C. Kilburn.....President

T. F. Pugsley.....Vice-President

W. R. Robertson.....Secretary

N. H. Witherell.....Treasurer

W. F. Avery.....Controller

AUDITORS

Thorne Riddell & Co.....Toronto

REGISTRAR AND TRANSFER AGENT

Crown Trust Company

302 Bay Street.....Toronto

ANNUAL MEETING

Thursday, May 4, 1978

11:00 a.m. (Toronto Time) — York Room

Royal York Hotel, Toronto, Ontario



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NEW QUEBEC RAGLAN MINES LIMITED

P.O. BOX 40, COMMERCE COURT WEST,
TORONTO, ONTARIO, CANADA M5L 1B4

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

The Company's wholly-owned subsidiary, Raglan Quebec Mines Limited, holds exploration permits totalling 300 square miles and 157 claims located in the Ungava Region of Quebec.

In 1977 an airborne photographic survey was completed over the property. Topographical maps are presently being prepared to facilitate a program to geologically re-map the property in detail and correlate it with existing underground data.

Previous feasibility studies were revised in 1977. Due to the depressed state of world prices and demand for nickel, these studies indicated that production from the company's property is not presently economically feasible. Total expenditures to date on the property have amounted to \$28.5 million.

The Consolidated Financial Statement of the Company and its subsidiary, Raglan Quebec Mines Limited, for the year ended December 31, 1977 are included in this report.

Ore Reserves

Ore reserves did not change during the year and are estimated, including dilution, as follows:

	<u>Tons</u>	<u>Grade</u> <u>% Ni</u>	<u>% Cu</u>
Donaldson Mine — Underground Exploration			
Well assured reserves	3,021,000	3.06	0.73
Katiniq Deposit — Surface Drilling			
Indicated by closely spaced holes	5,276,000	2.42	0.70
Assumed extensions of ore within lateral limits of drilling	5,000,000	2.42	0.70
2 - Area — Surface Drilling	660,000	2.43	0.72
Assumed extensions of ore within lateral limits of drilling	500,000	2.43	0.72
3 - Area — Surface Drilling	1,093,000	2.81	0.69
Assumed extensions of ore within lateral limits of drilling	500,000	2.81	0.69
	<u>16,050,000</u>	<u>2.58</u>	<u>0.71</u>

On behalf of the Board of Directors,

L. C. KILBURN,
President.

March 21, 1978.

NEW QUEBEC RAGLAN MINES LIMITED

CONSOLIDATED BALANCE SHEET

(Incorporated under the laws of the Province of Quebec)

ASSETS

CURRENT ASSETS

	1977	1976
Cash and short term securities, at cost which approximates market value	\$ 107,634	\$ 117,172
Accounts receivable	8,256	
Prepaid insurance		6,200
	<u>115,890</u>	<u>123,372</u>

FIXED ASSETS

Mineral exploration licences and staked claims in the Cape Smith-Wakeham Bay area of Ungava, Quebec, at cost	81,000	81,000
Buildings and prospecting equipment, at nominal value	1	1
	<u>81,001</u>	<u>81,001</u>

DEFERRED EXPENDITURES

Exploration, development and other expenditures deferred (notes 2 and 4)	28,464,157	28,315,223
	<u>\$28,661,048</u>	<u>\$28,519,596</u>

AUDITOR'S REPORT

To the Shareholders of
New Quebec Raglan Mines Limited

We have examined the consolidated balance sheet of New Quebec Raglan Mines Limited and the consolidated statement of development and other expenditures deferred and changes in financial position for the year ended December 31, 1977, in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary.

In our opinion, subject to the uncertainty as to recovery of exploration, development and other expenditures deferred, the consolidated financial statements present fairly the financial position of the company as at December 31, 1977, and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Toronto, Canada
January 18, 1978

NICKEL MINES LIMITED

AS AT DECEMBER 31, 1977
(in accordance with the laws of Ontario)

LIABILITIES

CURRENT LIABILITIES

	1977	1976
Accounts payable and accrued liabilities	\$ 234	\$ 260

MINORITY INTEREST

Preferred shares of subsidiary company issued to Falconbridge Nickel Mines Limited (notes 2 and 3)	17,395,174	17,261,029
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SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized — 8,000,000 shares of \$1 each		
Issued — 7,760,294 shares (note 2)	7,760,294	7,760,294
Amount representing exploration expenditures made by Falconbridge Nickel Mines Limited for which 3,577 shares are to be issued (note 2)	7,333	

PREMIUM ON SHARES	3,626	3,626
	<u>7,771,253</u>	<u>7,763,920</u>

CONTRIBUTED SURPLUS ARISING FROM REDUCTION OF CAPITAL IN 1965	2,197,496	2,197,496
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RETAINED EARNINGS	1,296,891	1,296,891
	<u>11,265,640</u>	<u>11,258,307</u>

	<u>\$28,661,048</u>	<u>\$28,519,596</u>
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Approved by the Board,

L. C. KILBURN, Director.

P.-E. AUGER, Director.

REPORT

Limited as at December 31, 1977 and the consolidated statements of exploration, the year then ended. Our examination was made in accordance with generally accepted auditing standards as we considered necessary in the circumstances.

Expenditures deferred as explained in note 4, these consolidated statements of exploration as at December 31, 1977 and the results of its operations and the changes in its financial position are stated on a basis consistent with that of the preceding year.

THORNE RIDDELL & CO.

Chartered Accountants

NEW QUEBEC RAGLAN MINES LIMITED

CONSOLIDATED STATEMENT OF EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES DEFERRED

Year Ended December 31, 1977

	<u>1977</u>	<u>1976</u>
Exploration		
Direct costs		
Geological expenses	\$ 134,145	
Indirect costs		
Property maintenance	85,724	\$ 90,040
	<u>219,869</u>	<u>90,040</u>
Financing		
Value assigned to shares of company to be issued as additional consideration to Falconbridge Nickel Mines Limited for making expenditures on subsidiary company's property (note 2)	7,333	
Administrative	17,791	17,362
Total expenditures for the year	<u>244,993</u>	<u>107,402</u>
Deduct		
Proceeds from insurance claim	91,350	
Interest earned	4,709	14,274
	<u>96,059</u>	<u>14,274</u>
NET EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES	148,934	93,128
EXPENDITURES DEFERRED AT BEGINNING OF YEAR	28,315,223	28,222,095
EXPENDITURES DEFERRED AT END OF YEAR (note 4)	<u>\$28,464,157</u>	<u>\$28,315,223</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1977

	<u>1977</u>	<u>1976</u>
WORKING CAPITAL DERIVED FROM		
Preferred shares of subsidiary company to be issued for exploration expenditures	\$ 134,145	
Shares of company to be issued for expenditures on the subsidiary company's property	7,333	
	<u>141,478</u>	<u>—</u>
WORKING CAPITAL APPLIED TO		
Net exploration, development and other expenditures	148,934	\$ 93,128
DECREASE IN WORKING CAPITAL	7,456	93,128
WORKING CAPITAL AT BEGINNING OF YEAR	123,112	216,240
WORKING CAPITAL AT END OF YEAR	<u>\$ 115,656</u>	<u>\$ 123,112</u>

NEW QUEBEC RAGLAN MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 1977

1. BASIS OF CONSOLIDATION

These financial statements include the accounts of the company and its subsidiary company, Raglan Quebec Mines Limited (No Personal Liability).

2. EXPLORATION AND DEVELOPMENT AGREEMENTS

In accordance with agreements entered into with Falconbridge Nickel Mines Limited, Falconbridge undertook exploration and development work on the subsidiary company's properties. As consideration Falconbridge receives:

One share of \$1 par value of the subsidiary's redeemable, cumulative preferred shares for each \$1 of expenditures and

One share of the common stock of New Quebec Raglan Mines Limited for each \$37.50 of expenditure.

Prior to 1977 the company recorded the issuance of its shares at \$15 and \$12 per share which were the approximate fair market values of the shares at the dates of signing the prior agreements. Shares issued pursuant to a new agreement dated January 1, 1977 are to be issued at \$2.05 per share which is the approximate fair market value at that date. Pursuant to the agreement, Falconbridge incurred expenditures for which shares have been issued or are to be issued as follows:

	Expenditures	Preferred shares of subsidiary — par value	Shares of company — number
Total at January 1, 1976	\$17,261,029	\$17,261,029	\$ 260,294
1976	Nil	Nil	Nil
1977	134,145	134,145	3,577
Total at December 31, 1977	<u>\$17,395,174</u>	<u>\$17,395,174</u>	<u>\$ 263,871</u>

Falconbridge has the right under the agreements to continue exploration and development on the properties, expend further amounts thereon up to \$2,604,826 and receive as consideration preferred shares of the subsidiary company at par value and in addition one share of the company's capital stock for each \$37.50 of such expenditure.

The tax benefits with respect to these expenditures are claimable by Falconbridge and are not claimable by the subsidiary company.

3. ARREARS OF DIVIDENDS

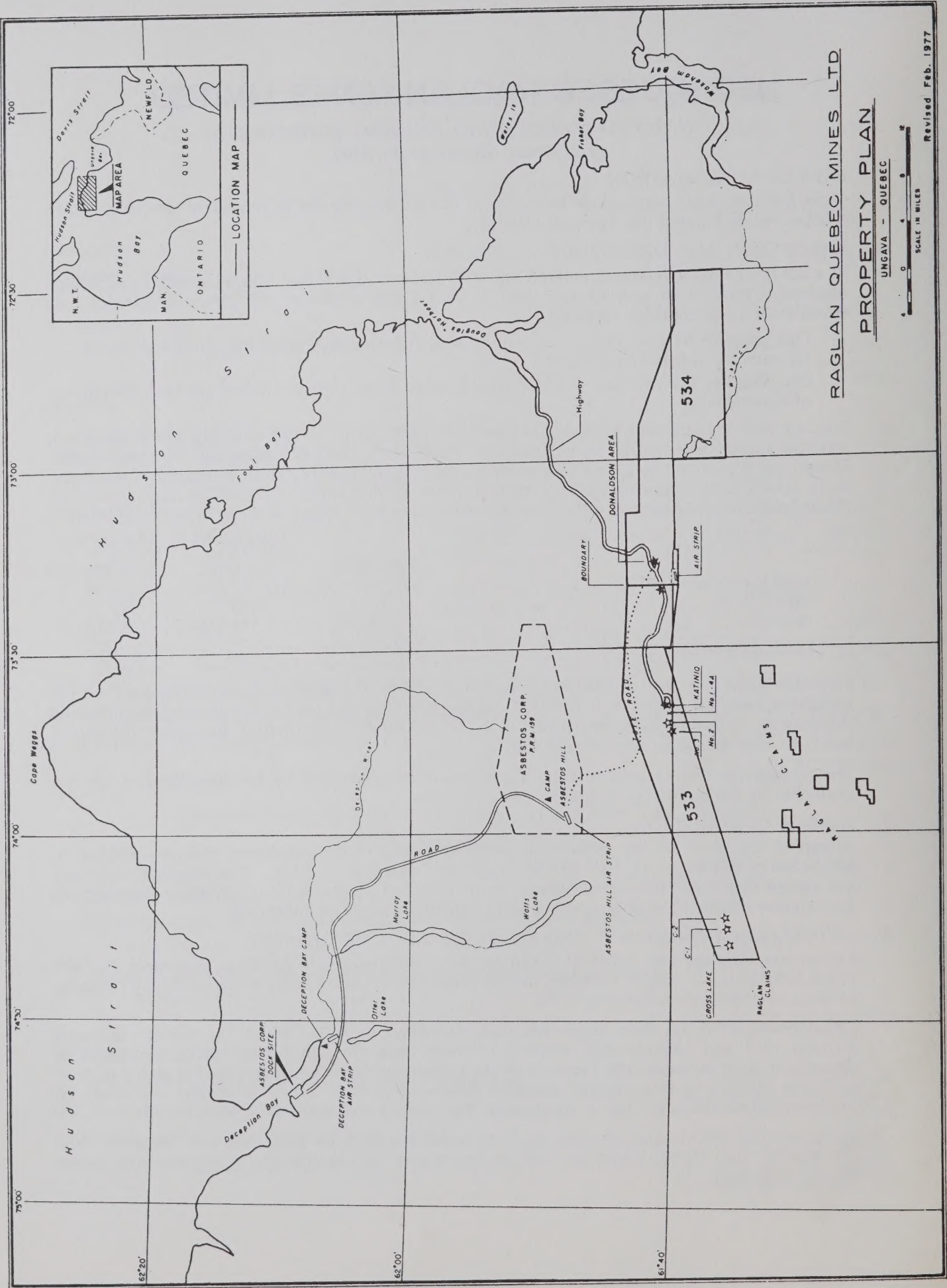
Arrears of dividends on the cumulative preferred shares of the subsidiary company amount to \$8,954,966 at December 31, 1977 and \$7,752,347 at December 31, 1976. The subsidiary company has agreed that it will not pay dividends on its common shares or make any other payments to its common shareholders until all of its third preferred shares are redeemed.

4. EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES DEFERRED

Exploration, development and other expenditures amounting to \$28,464,157 at December 31, 1977 (1976, \$28,315,223) represent costs incurred in development of properties of the subsidiary company in the Cape Smith-Wakeham Bay area.

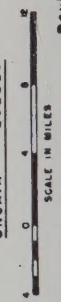
Development work on these properties was suspended in 1971. Feasibility studies continued through 1977 and indicate that recovery of these costs through future mining operations is dependent upon (a) substantial increases in the present world nickel prices; (b) the ability to raise sufficient capital financing; (c) the successful development of an economic mining operation; (d) marketing of production; and (e) maintaining the permits and licences in good standing.

Because of the world's current over-supply of nickel it cannot be predicted with certainty when the expenditures on the properties will be recoverable by charges against income from future mining operations.



RAGLAN QUEBEC MINES LTD.

PROPERTY PLAN
UNGAVA - QUEBEC



Revised Feb. 1977

1,833,208 - shares - Falcon.

= 23.6%

Bulb

3, →

44.7%

Bilcon

\ wheel and set

68%

